



STATISTICS OF INCOME | **Division-wide Project**

Post-Filing Tax Adjustments

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Julia Shiller, and Chris Williams

September 6, 2019



Project Motivation

- The Statistics of Income (SOI) produces various products, utilizing originally filed Forms 1040 and 1120 along with additional forms and schedules.
- Brief Overview of Processing Taxpayers' Data
 - Taxpayers submit their tax returns to the IRS.
 - The IRS transcribes and edits taxpayers' information.
 - SOI receives the edited IRS data and further transcribes and edits the data.
 - Codes are assigned, records are linked, etc.
- However, SOI excludes updated taxpayer information from amended returns as well as from examinations.
- Question from previous Consultants' Panels: How would the inclusion of amended and examined returns affect SOI's products?

- What is the impact of including amended and examined returns to SOI's products?
- Project's Scope
 - Two approaches: Individual and Corporate
 - Updates to Forms 1040 and 1120 filed in Tax Year 2013
 - Aggregate Changes (instead of line item)
 - Effect on SOI's Individual and Corporate Samples

- Individual Post-Filing Adjustments
- Corporate Post-Filing Adjustments
- Overall Conclusions
- Questions and Comments



Individual Post- Filing Adjustments

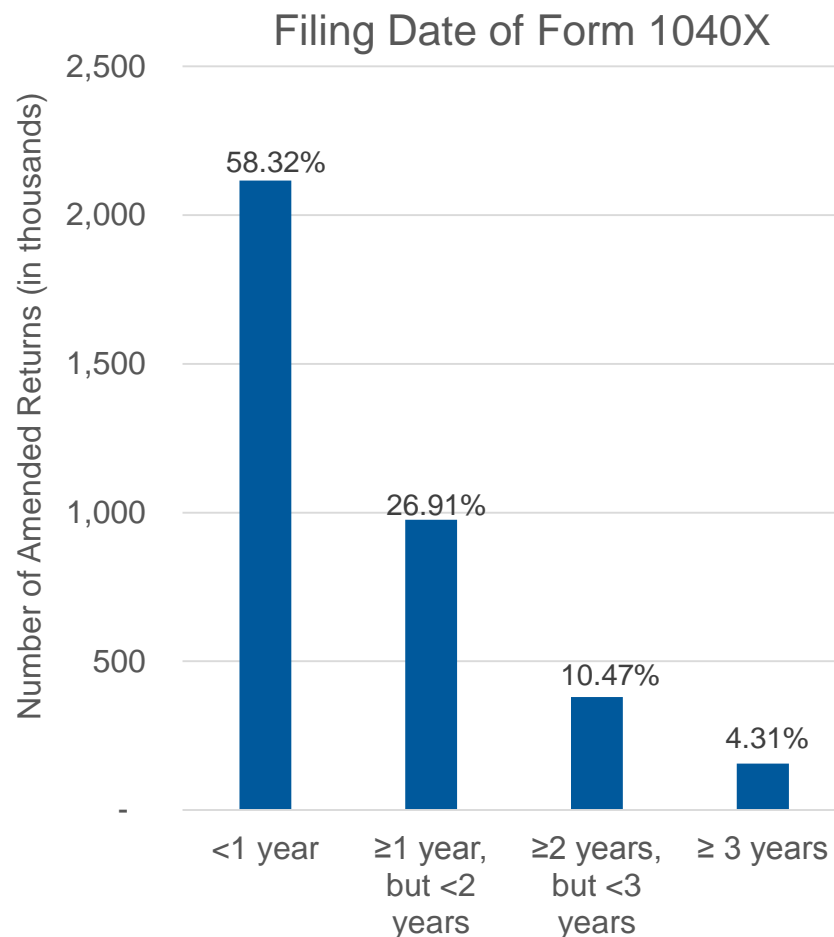
- **Office of Compliance Analytics' 2012 Report on Amended Returns**
 - Analyzed available 1040X data on the Compliance Data Warehouse for Tax Years 2000 to 2008.
 - Relevance: Provided statistics to compare our results with.
- **2014 Statement of Work**
 - Intended to provide statistics on amended returns, especially in terms of filing patterns, return characteristics and indicators of non-compliance.
 - Relevance: Provided validation of the appropriate datasets and variables to use.

- **Publication 6186**
 - Provided a count of the actual and projected Calendar Year returns for various forms.
 - Relevance: Provided the volume of Form 1040X filed each Calendar Year (but **not** the dollar amounts).
- **2014 Data Book**
 - Annual publication that contained statistical tables and organizational information on collected revenue, issued refunds, taxpayer assistance, etc.
 - Relevance: Provided statistics on examination data.
- **Publication 1304 (Individual Income Tax Returns Complete Report)**
 - Provided statistics on individual income tax returns.
 - Relevance: Reported the number of Form 1040 filed for Tax Year 2013.



Amended Return (Form 1040X)

- A form used to correct a previously filed Form 1040 (or another Form 1040X).
 - Can only be filed on paper (cannot be filed electronically).
 - Filed within 3 years after the date that the taxpayer filed the original return OR within 2 years of the date that the taxes were paid, whichever is later.
 - Special considerations are made for net operating losses, foreign tax credits, bad debts and other issues.



Difference from Form 1040 (TY 2013) filing date

IRS Form 1040X

Form **1040X**

Department of the Treasury—Internal Revenue Service
Amended U.S. Individual Income Tax Return

OMB No. 1545-0074

(Rev. December 2013) Information about Form 1040X and its separate instructions is at www.irs.gov/form1040x.

This return is for calendar year 2013 2012 2011 2010

Other year. Enter one: calendar year _____ or fiscal year (month and year ended): _____

Your first name and initial	Last name	Your social security number
If a joint return, spouse's first name and initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	Your phone number
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).		
Foreign country name	Foreign province/state/country	Foreign postal code

Amended return filing status. You must check one box even if you are not changing your filing status.

Caution. In general, you cannot change your filing status from joint to separate returns after the due date.

- Single Married filing jointly Married filing separately
 Qualifying widow(er) Head of household (if the qualifying person is a child but not your dependent, see instructions.)

Use Part III on the back to explain any changes

Income and Deductions

	A. Original amount or as previously adjusted (see instructions)	B. Net change—amount of increase or (decrease)—explain in Part III	C. Correct amount
1 Adjusted gross income. If net operating loss (NOL) carryback is included, check here <input type="checkbox"/>	1		
2 Itemized deductions or standard deduction	2		
3 Subtract line 2 from line 1	3		
4 Exemptions. If changing, complete Part I on page 2 and enter the amount from line 28	4		
5 Taxable income. Subtract line 4 from line 3	5		

Tax Liability

6 Tax. Enter method used to figure tax (see instructions):	6		
7 Credits. If general business credit carryback is included, check here <input type="checkbox"/>	7		
8 Subtract line 7 from line 6. If the result is zero or less, enter -0-	8		
9 Other taxes	9		
10 Total tax. Add lines 8 and 9	10		

Payments

11 Federal income tax withheld and excess social security and tier 1 RRTA tax withheld (if changing, see instructions)	11		
12 Estimated tax payments, including amount applied from prior year's return	12		
13 Earned income credit (EIC)	13		
14 Refundable credits from Schedule(s) <input type="checkbox"/> 8812 or <input type="checkbox"/> M or Form(s) <input type="checkbox"/> 2439 <input type="checkbox"/> 4136 <input type="checkbox"/> 5405 <input type="checkbox"/> 8801 <input type="checkbox"/> 8812 (2010 or 2011) <input type="checkbox"/> 8839 <input type="checkbox"/> 8863 <input type="checkbox"/> 8885 or <input type="checkbox"/> other (specify): _____	14		
15 Total amount paid with request for extension of time to file, tax paid with original return, and additional tax paid after return was filed	15		
16 Total payments. Add lines 11 through 15	16		

Refund or Amount You Owe (Note. Allow 8-12 weeks to process Form 1040X.)

17 Overpayment, if any, as shown on original return or as previously adjusted by the IRS	17		
18 Subtract line 17 from line 16 (if less than zero, see instructions)	18		
19 Amount you owe. If line 10, column C, is more than line 18, enter the difference	19		
20 If line 10, column C, is less than line 18, enter the difference. This is the amount overpaid on this return	20		
21 Amount of line 20 you want refunded to you	21		
22 Amount of line 20 you want applied to your (enter year): _____ estimated tax	22		

Complete and sign this form on Page 2.

For Paperwork Reduction Act Notice, see instructions.

Cat. No. 11360L

Form 1040X (Rev. 12-2013)

Form 1040X (Rev. 12-2013)

Page 2

Part I Exemptions

Complete this part **only** if you are increasing or decreasing the number of exemptions (personal and dependents) claimed on line 6d of the return you are amending.

See Form 1040 or Form 1040A instructions and Form 1040X instructions.

	A. Original number of exemptions or amount reported or as previously adjusted	B. Net change	C. Correct number or amount
23 Yourself and spouse. Caution. If someone can claim you as a dependent, you cannot claim an exemption for yourself	23		
24 Your dependent children who lived with you	24		
25 Your dependent children who did not live with you due to divorce or separation	25		
26 Other dependents	26		
27 Total number of exemptions. Add lines 23 through 26	27		
28 Multiply the number of exemptions claimed on line 27 by the exemption amount shown in the instructions for line 28 for the year you are amending. Enter the result here and on line 4 on page 1 of this form.	28		
29 List ALL dependents (children and others) claimed on this amended return. If more than 4 dependents, see instructions.			

(a) First name	Last name	(b) Dependent's social security number	(c) Dependent's relationship to you	(d) Check box if qualifying child for child tax credit (see instructions)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

Part II Presidential Election Campaign Fund

Checking below will not increase your tax or reduce your refund.

- Check here if you did not previously want \$3 to go to the fund, but now do.
 Check here if this is a joint return and your spouse did not previously want \$3 to go to the fund, but now does.

Part III Explanation of changes. In the space provided below, tell us why you are filing Form 1040X.

Attach any supporting documents and new or changed forms and schedules.

Sign Here

Remember to keep a copy of this form for your records.

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information about which the preparer has any knowledge.

Your signature	Date	Spouse's signature. If a joint return, both must sign.	Date
Paid Preparer Use Only			
Preparer's signature	Date	Firm's name (or yours if self-employed)	
Print/type preparer's name		Firm's address and ZIP code	
PTIN	<input type="checkbox"/> Check if self-employed	Phone number	EIN

For forms and publications, visit IRS.gov.

Form 1040X (Rev. 12-2013)

Use Part III on the back to explain any changes



A. Original amount or as previously adjusted (see instructions)	B. Net change— amount of increase or (decrease)— explain in Part III	C. Correct amount
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Income and Deductions

- 1 Adjusted gross income. If net operating loss (NOL) carryback is included, check here
- 2 Itemized deductions or standard deduction
- 3 Subtract line 2 from line 1
- 4 Exemptions. **If changing, complete Part I on page 2 and enter the amount from line 28**
- 5 Taxable income. Subtract line 4 from line 3

1			
2			
3			
4			
5			

Tax Liability

- 6 Tax. Enter method used to figure tax (see instructions):
- 7 Credits. If general business credit carryback is included, check here
- 8 Subtract line 7 from line 6. If the result is zero or less, enter -0-
- 9 Other taxes
- 10 Total tax. Add lines 8 and 9

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IRS Form 1040X

Form **1040X**

Department of the Treasury—Internal Revenue Service
Amended U.S. Individual Income Tax Return

OMB No. 1545-0074

Information about Form 1040X and its separate instructions is at www.irs.gov/form1040x.

This return is for calendar year 2013 2012 2011 2010
 Other year. Enter one: calendar year or fiscal year (month and year ended):

Your first name and initial Last name Your social security number
 If a joint return, spouse's first name and initial Last name Spouse's social security number
 Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Your phone number
 City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
 Foreign country name Foreign province/state/country Foreign postal code

Amended return filing status. You must check one box even if you are not changing your filing status.
Caution. In general, you cannot change your filing status from joint to separate returns after the due date.
 Single Married filing jointly Married filing separately
 Qualifying widow(er) Head of household (if the qualifying person is a child but not your dependent, see instructions.)

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18 Subtract line 17 from line 16 (if less than zero, see instructions)			
19 Amount you owe. If line 10, column C, is more than line 18, enter the amount			
20 If line 10, column C, is less than line 18, enter the difference. This amount is your refund			
21 Amount of line 20 you want refunded to you			
22 Amount of line 20 you want applied to your (enter year):			

Amount You Owe or Refunds

Form 1040X (Rev. 12-2013)

Page 2

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24 Your dependent children who lived with you	24		
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Exemptions

(a) First name	Last name	(b) Dependent's social security number	(c) Dependent's relationship to you	(d) Check box if qualifying child for child tax credit (see instructions)
				<input type="checkbox"/>
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Attach any supporting documents and new or changed forms and schedules.

Explanation of Changes

Sign Here
 Remember to keep a copy of this form for your records.

Under penalties of perjury, I declare that I have filed an original return and that I have examined this amended return, including accompanying schedules and statements, and to the best of my knowledge and belief, this amended return is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information about which the preparer has any knowledge.

Taxpayer's signature Date Spouse's signature. If a joint return, both must sign. Date
Preparer Use Only
 Preparer's signature Date Firm's name (or yours if self-employed)
 Preparer's name Date Firm's address and ZIP code
 Check if self-employed EIN
 Phone number

For Paperwork Reduction Act Notice, see instructions.

Cat. No. 11360L

Form 1040X (Rev. 12-2013)

For forms and publications, visit IRS.gov.

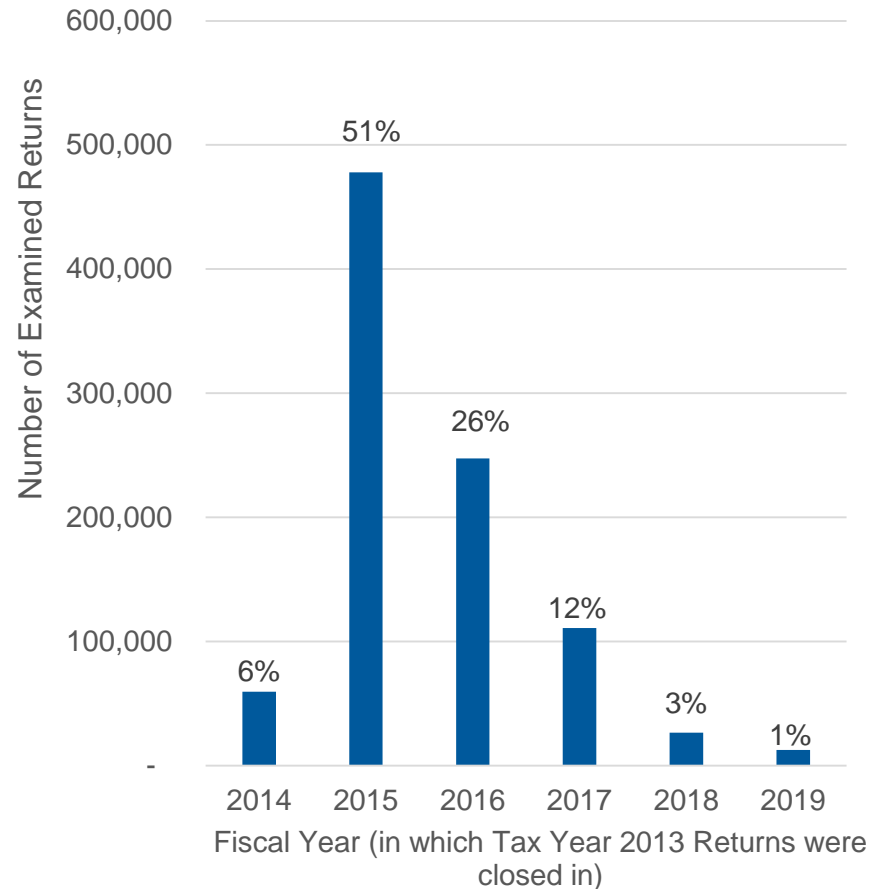
Form 1040X (Rev. 12-2013)



Examined Return

- A tax return is examined for the accuracy of reported income, expenses and credits.
 - Selection of returns is based on a computerized screening, random sample, an income document matching program or as the result of information given by a third party.
- Audited returns can extend to returns filed within the last three years and up to six years (if substantial errors are identified).
- Audit lengths vary.

Closed Examined Form 1040s, from Tax Year 2013, by Fiscal Year



- Source: Compliance Data Warehouse
- Additional Cleaning: Removed invalid SSNs and duplicates, etc.
- Limitations and Complications
 1. Lack of data on Form 1040X
 - Loss of information due to aggregation on the form
 2. Lack of Form 1040X data on the Master File
 - Lack of access to line item data on Form 1040X
 - Cannot isolate tax changes due to amended returns
 3. Margin for human error due to paper-filing

- **Population Data from the Master File**
 - **146.83 million Form 1040s Filed**
 - **3.32 million Form 1040Xs Filed (2.26 percent)**
 - **930,841 Individual Returns were Examined (0.63 percent)**



Tax Adjustments for Tax Year 2013

(Population Data from the Master File)

- **Amended Returns**

- Tax Increase: \$2.53 billion
- Tax Decrease: **-\$4.64 billion**
- **Net Amount: -\$2.11 billion**

- **Examinations**

- Total Recommended Additional Tax: \$7.76 billion
- Total Recommended Decrease in Taxes: **-\$699.33 million**
- **Net Amount: \$7.06 billion**


- **Total Amount of Taxes Collected from Tax Year 2013: \$1.3 trillion**




Tax Adjustments for Tax Year 2013

(Population Data from the Master File)

- **Amended Returns**

- Tax Increase: \$2.53 billion
- Tax Decrease: **-\$4.64 billion**
- **Net Amount: -\$2.11 billion**  0.16 percent decrease

- **Examinations**

- Total Recommended Additional Tax: \$7.76 billion
- Total Recommended Decrease in Taxes: **-\$699.33 million**
- **Net Amount: \$7.06 billion**  0.54 percent increase

- **Total Amount of Taxes Collected from Tax Year 2013: \$1.3 trillion**



Effect on SOI's Products

- **Weighted SOI Individual Sample (Estimates)**
 - **142.85 million Form 1040s Filed**
 - **3.21 million Form 1040Xs Filed (2.25 percent)**
 - **829,246 Individual Returns were Examined (0.58 percent)**



Tax Adjustments for Tax Year 2013

(Data from the Weighted SOI Sample)

- **Amended Returns**

- Tax Increase: \$2.52 billion
- Tax Decrease: **-\$4.56 billion**
- **Net Amount: -\$2.04 billion**

- **Examinations**

- Total Recommended Additional Tax: \$5.03 billion
- Total Recommended Decrease in Taxes: **-\$646.22 million**
- **Net Amount: \$4.38 billion**


- **Total Amount of Taxes Collected from Tax Year 2013: \$1.3 trillion**




Tax Adjustments for Tax Year 2013

(Data from the Weighted SOI Sample)

- **Amended Returns**

- Tax Increase: \$2.52 billion
- Tax Decrease: **-\$4.56 billion**
- **Net Amount: -\$2.04 billion**  0.16 percent decrease

- **Examinations**

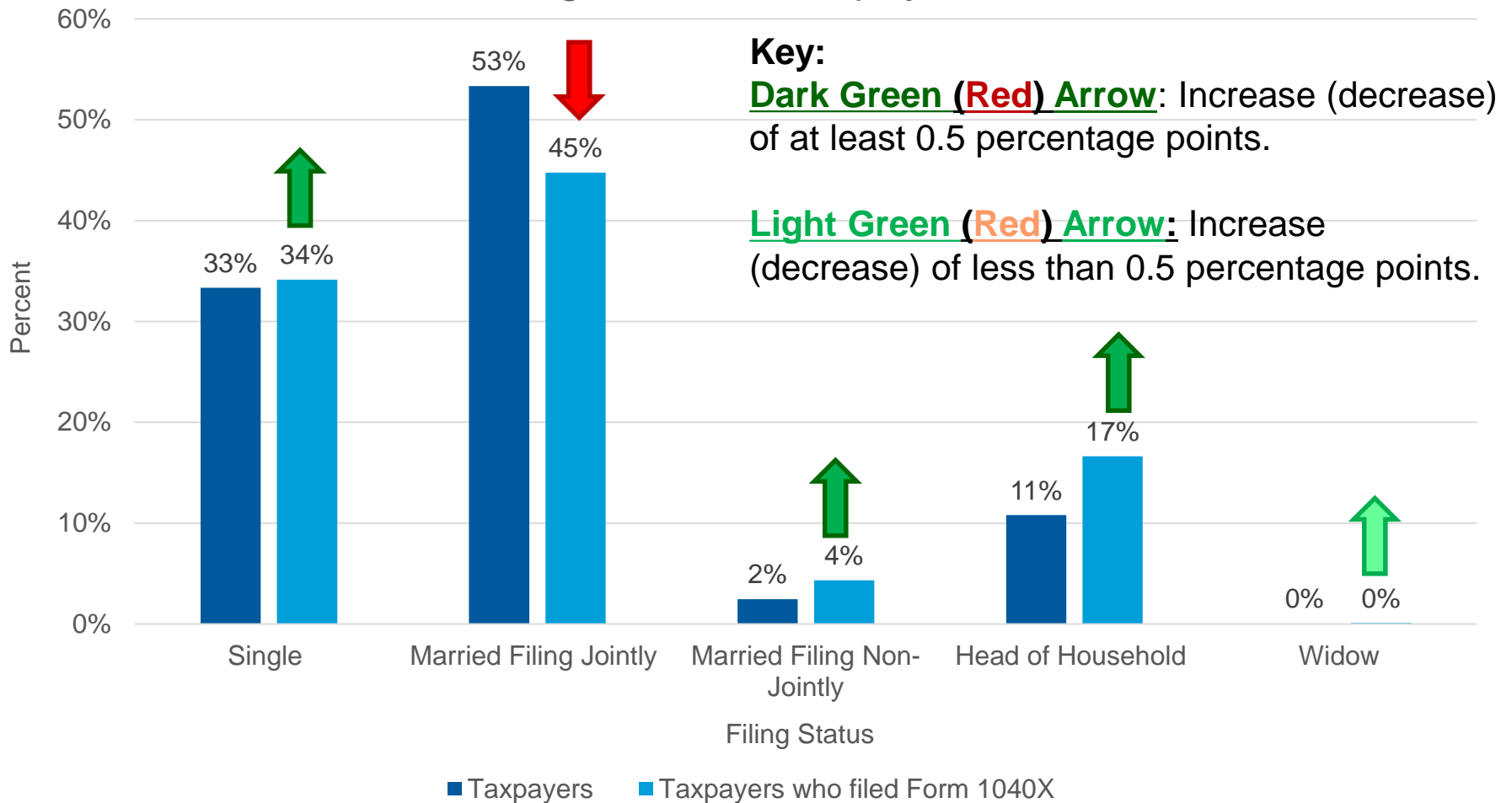
- Total Recommended Additional Tax: \$5.03 billion
- Total Recommended Decrease in Taxes: **-\$646.22 million**
- **Net Amount: \$4.38 billion**  0.34 percent increase

- **Total Amount of Taxes Collected from Tax Year 2013: \$1.3 trillion**



Profile of Amended Return Filers (SOI's Weighted Sample for Tax Year 2013)

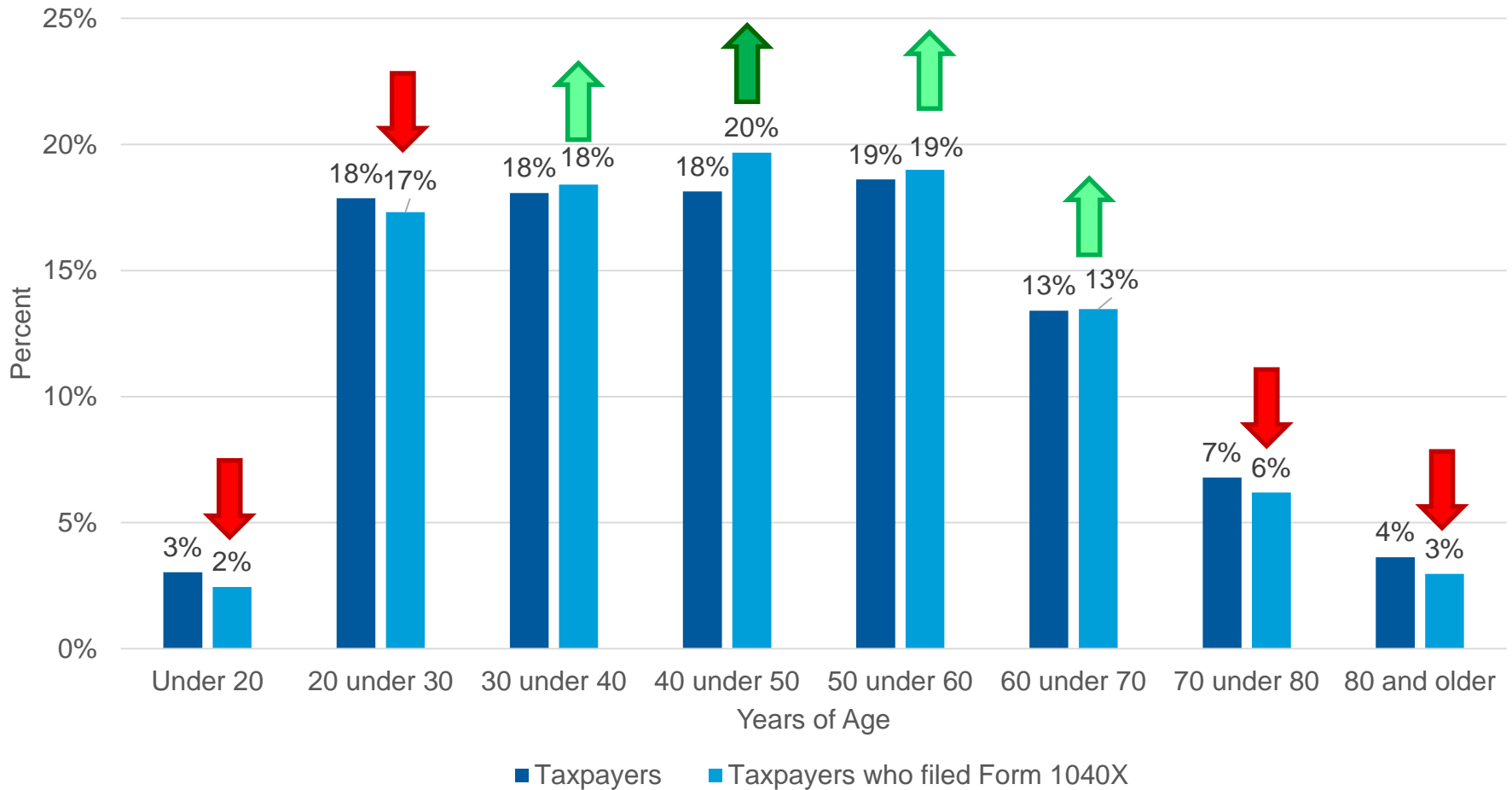
Filing Status of Taxpayers





Profile of Amended Return Filers (SOI's Weighted Sample for Tax Year 2013)

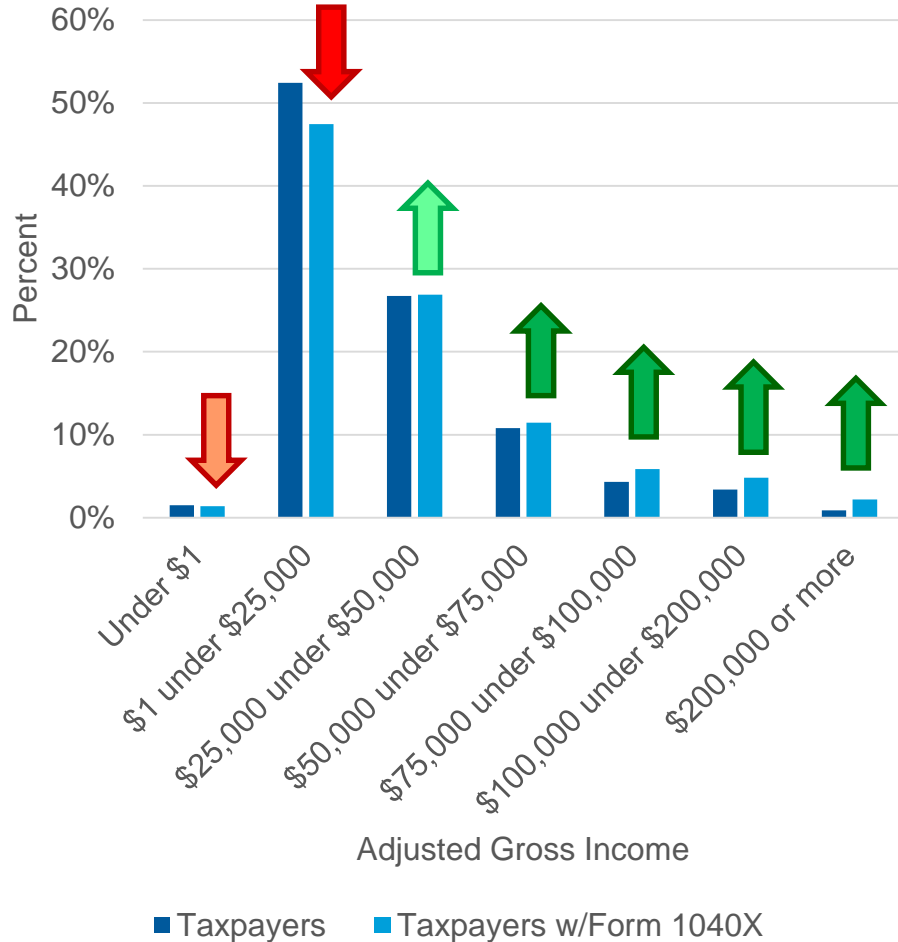
Age of Taxpayers



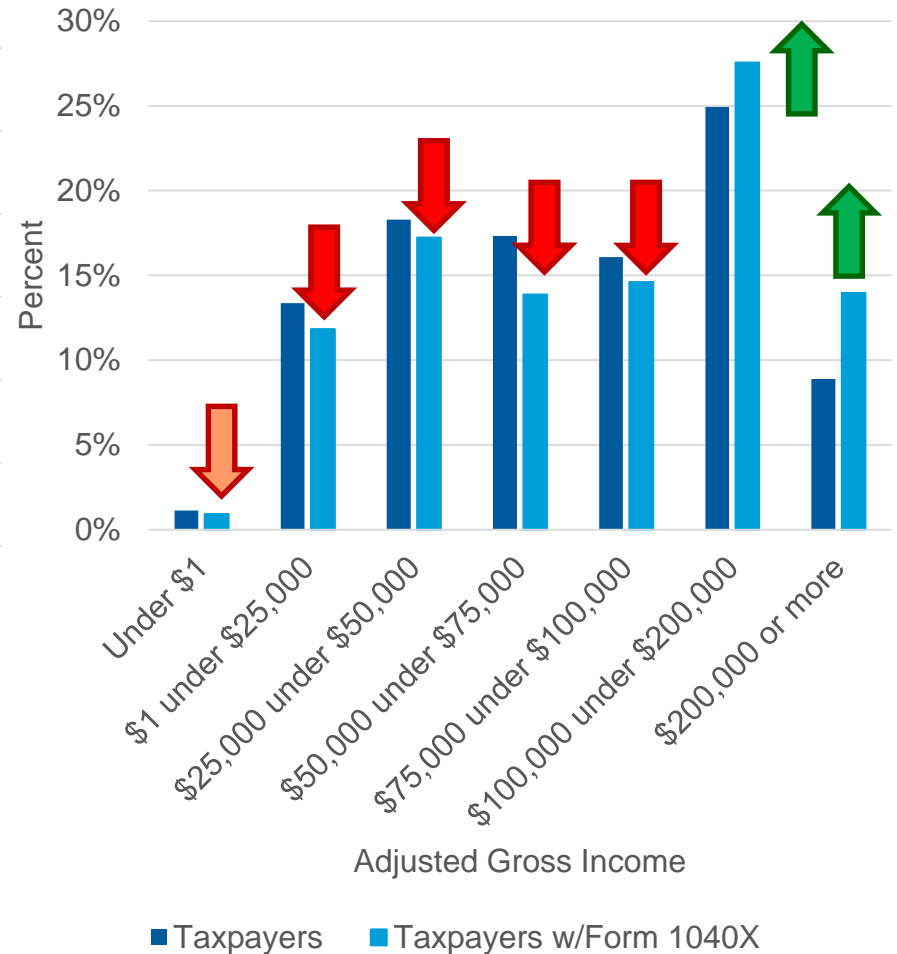


Profile of Amended Return Filers (SOI's Weighted Sample for Tax Year 2013)

AGI of Single, Married Filing Non-Jointly,
Head of Household and Widowed Taxpayers



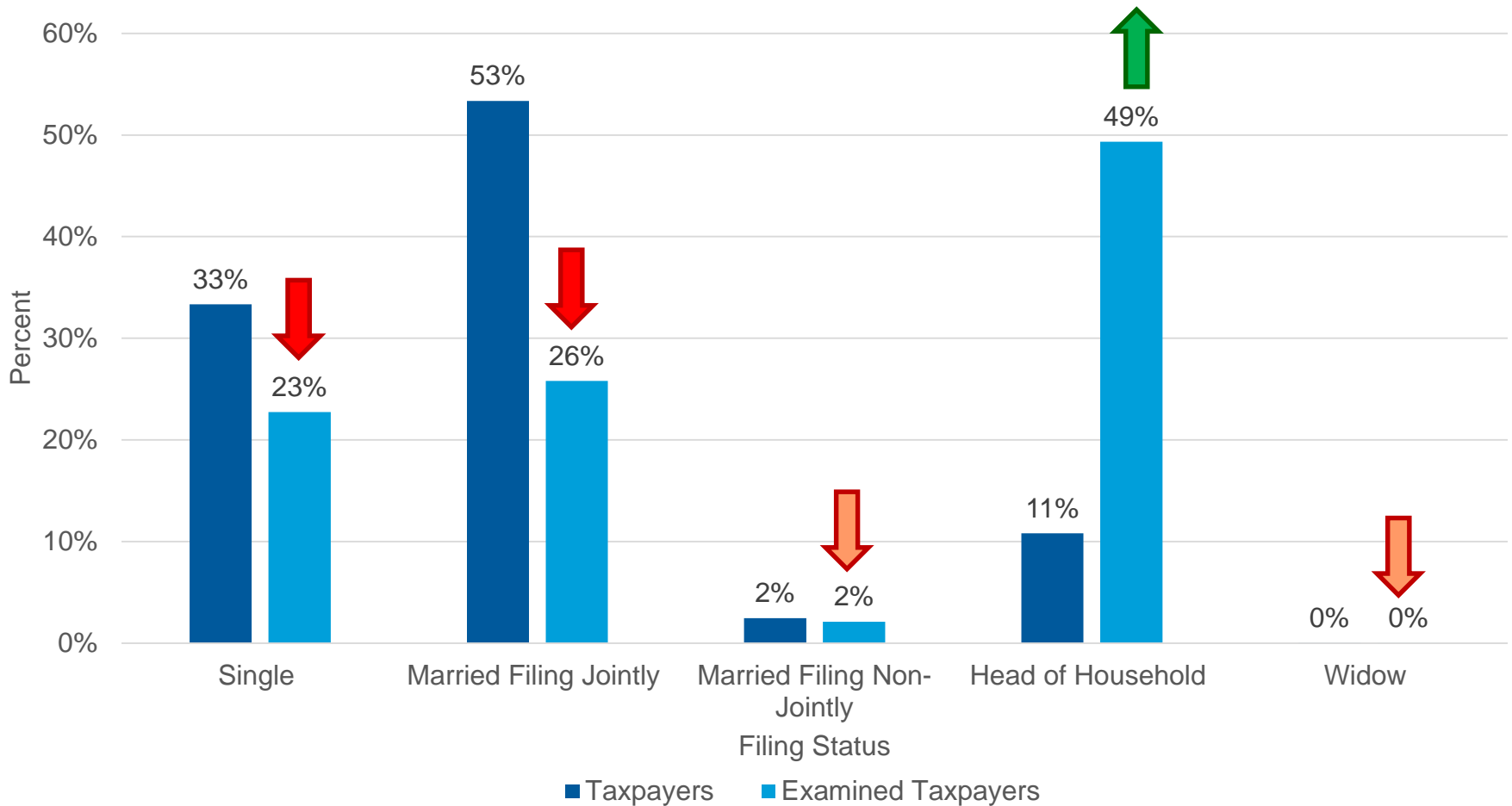
AGI of Married Filing Jointly Taxpayers





Profile of Examined Taxpayers (SOI's Weighted Sample for Tax Year 2013)

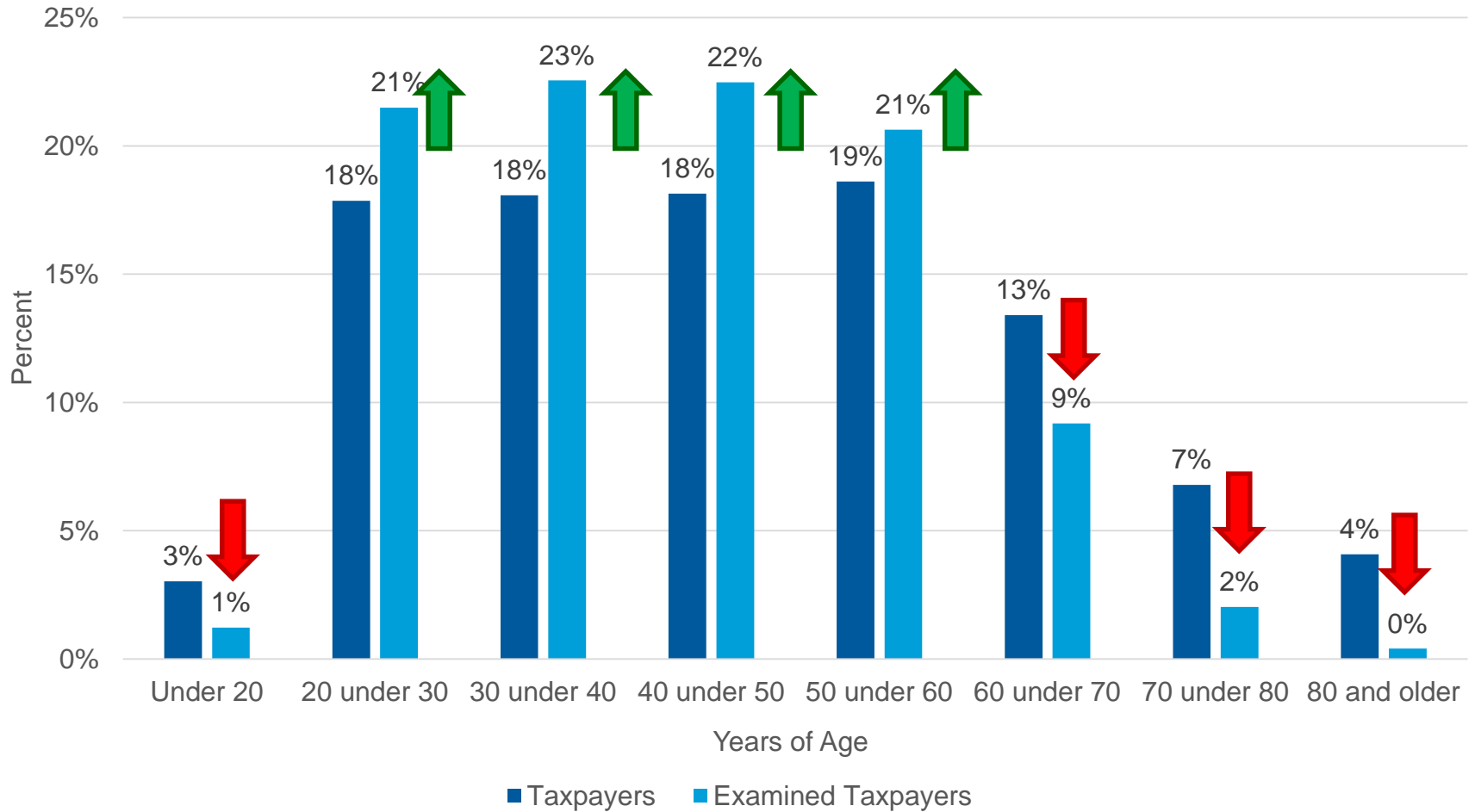
Filing Status of Taxpayers





Profile of Examined Taxpayers (SOI's Weighted Sample for Tax Year 2013)

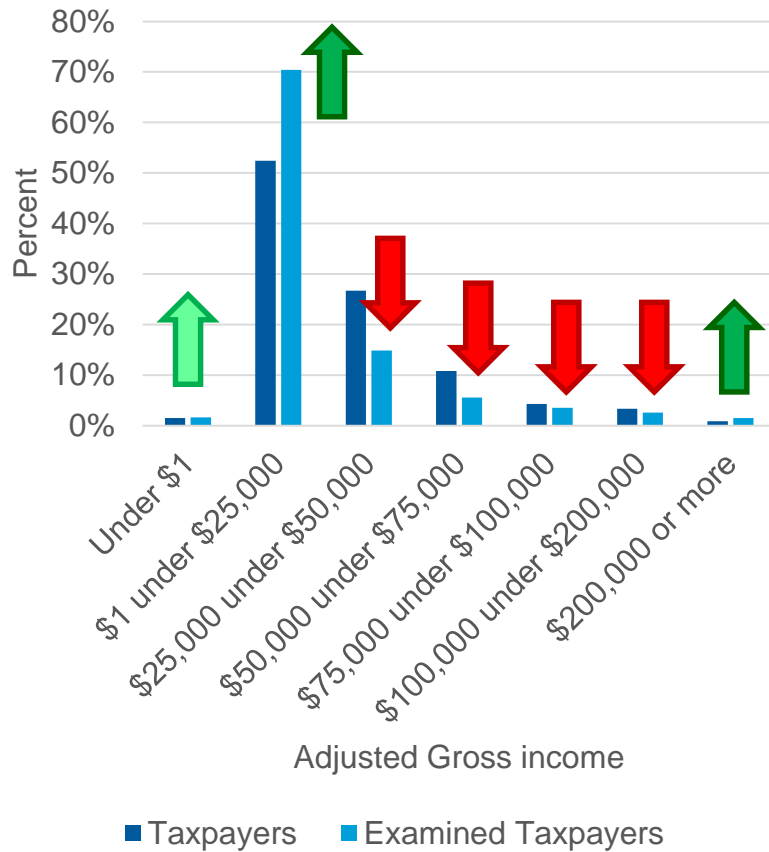
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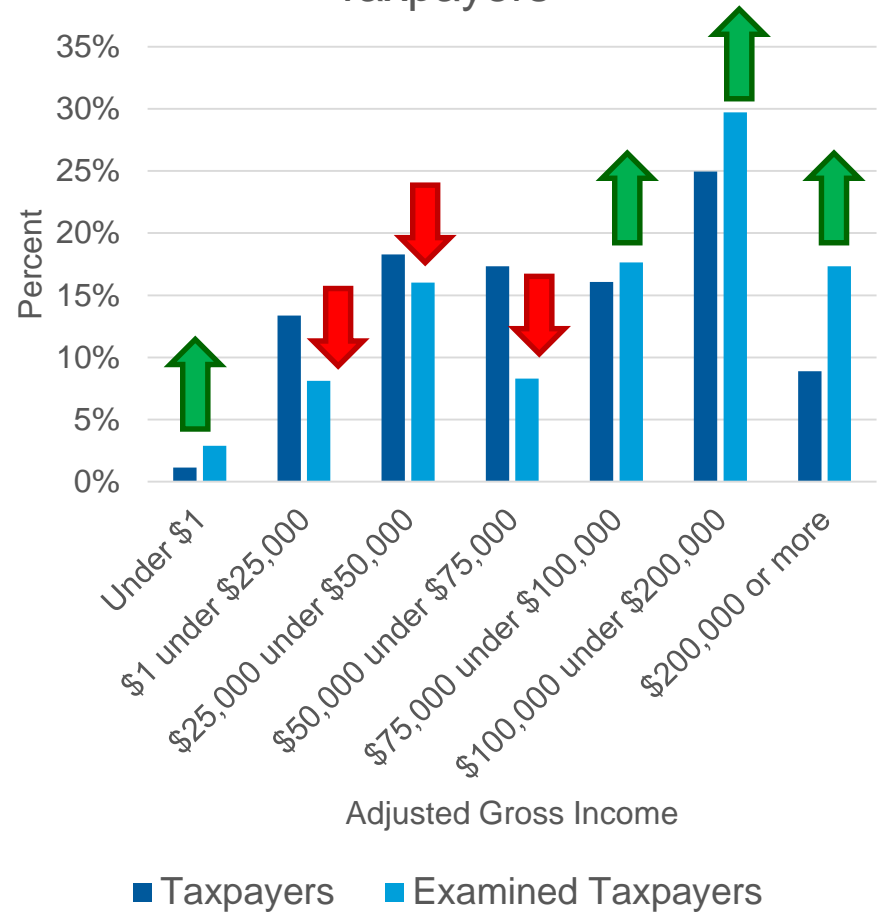


Profile of Examined Taxpayers (SOI's Weighted Sample for Tax Year 2013)

AGI of Single, Married Filing Non-Jointly, Head of Household and Widowed Taxpayers



AGI of Married Filing Jointly Taxpayers



- Amended and audited returns appear to have an effect on the population data although it is very small especially in the context of overall taxes.
 - 2.26 percent of individual returns were amended.
 - 0.63 percent of individual returns were examined.
- The effect of including amended and audited returns on the SOI's individual sample is very close to the effect on the population data.
 - 2.25 percent of individual returns were amended.
 - 0.58 percent of individual returns were examined.
- Trends with Amended Return Filers and Examined Taxpayers

Corporate Post-Filing Adjustments

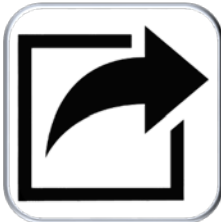


Overview

Forms 1120X, *Amended Corporate Income Tax Returns*, are corrections to Form 1120 returns that can either be overassessments (taxpayer is due a refund) of tax or underassessments of tax (taxpayer owes tax).

The goal of this project is to identify the impact of the changes reported by the Form 1120X on SOI estimates.

Corporations file Form 1120X to



claim different types of refunds



file protective claims to extend the statute of limitations



request abatements of unpaid tax, interest, and penalties



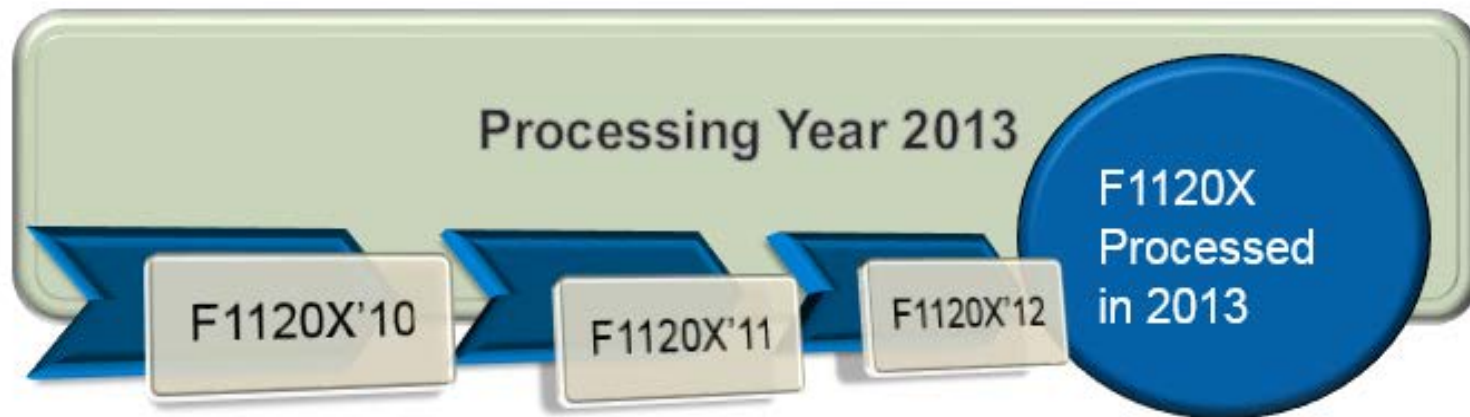
Form 1120X Statutory Period of Limitation:

Form 1120X must be filed **within 3 years** after the date the corporation filed its original return or within 2 years after the date the corporation paid the tax (if filing a claim for a refund), whichever is later.

A Form 1120X based on a bad debt or worthless security must be filed **within 7 years** after the due date of the return for the tax year in which the debt or security became worthless.

Publication 6186

Calendar Year Projections for the United States and IRS Campuses: <https://www.irs.gov/pub/irs-soi/p6186.pdf>

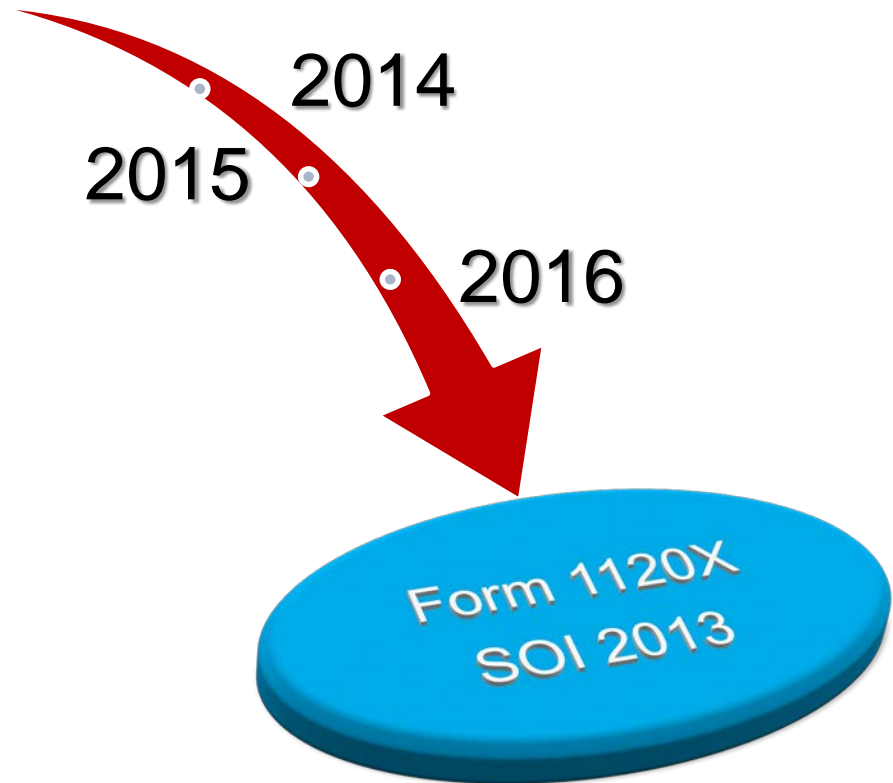


- Corporations that filed a Form 1120X after a Form 1120
- For SOI year 2013
 - Between the accounting period ending July 2013 through June 2014



- Earliest SOI year, given the long time period of filing for an amendment

Form 1120X corresponding to SOI year 2013
can be **filed** in the following years:

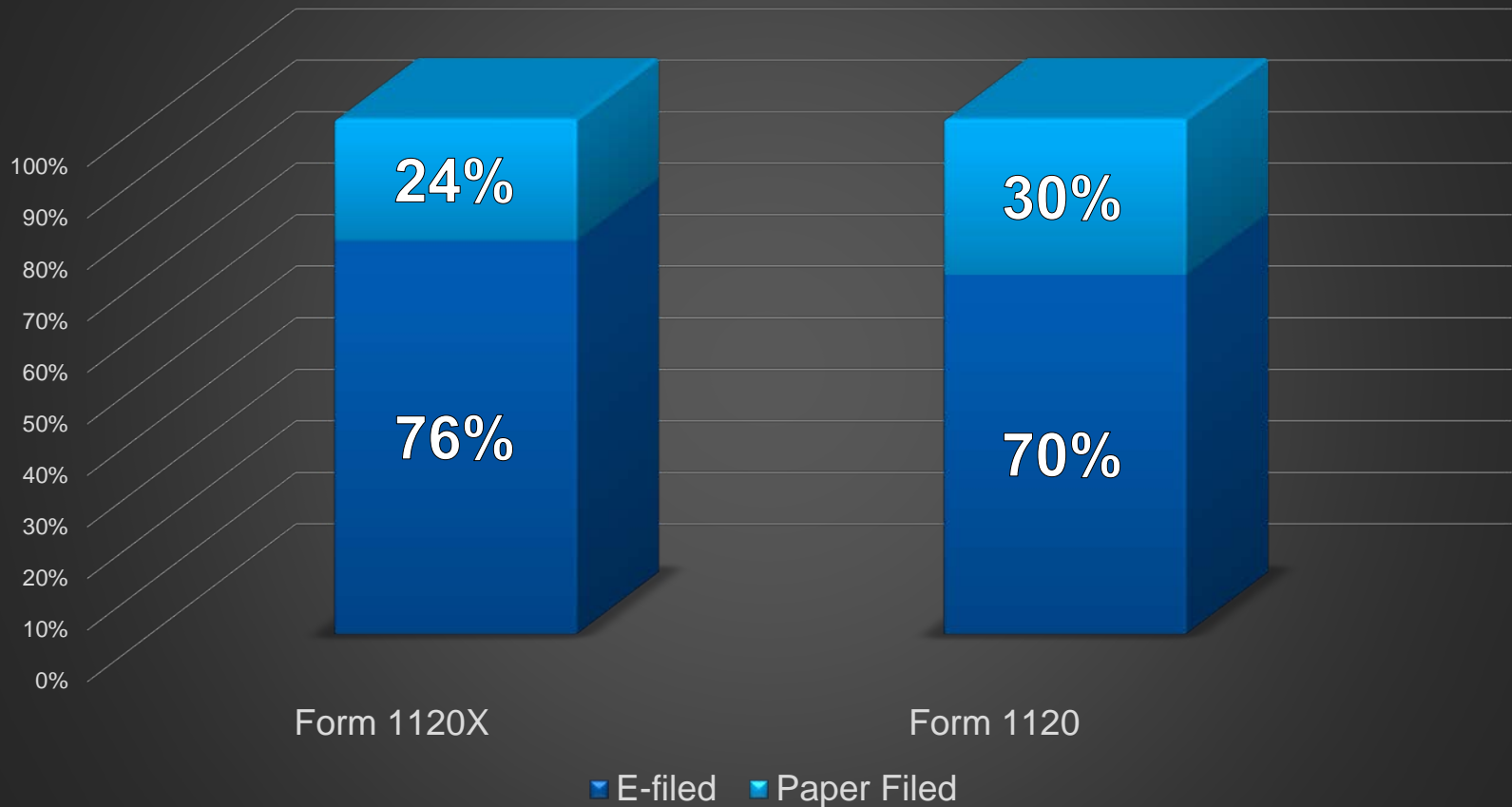




Filing and Processing Amendments

Form 1120X can be e-filed and paper-filed.

E-filed and Paper-filed Form 1120X and Form 1120





- Filing procedures vary based on type of Form 1120, type of claim or correction, amount, *etc.*
- Amendment processing involves multiple IRS offices that follow different internal requirements based on the Form 1120 series filed
- Amended returns processing procedures differ from an original Form 1120 return filing



Matching Process

Form **1120X**
(Rev. November 2016)
Department of the Treasury
Internal Revenue Service

Amended U.S. Corporation Income Tax Return

Information about Form 1120X and its instructions is at www.irs.gov/form1120x.

OMB No. 1545-0123

For tax year ending

(Enter month and year.)

Please
Type
or
Print

Name	Emp
Number, street, and room or suite no. If a P.O. box, see instructions.	
City or town, state, and ZIP code	Tele

Employer identification number

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 2018 or tax year beginning _____, 2018, ending _____, 20 ____
Go to www.irs.gov/Form1120 for instructions and the latest information.

OMB No. 1545-0123

2018

- A** Check if:
- 1a** Consolidated return (attach Form 951)
 - b** Life/monthly consolidated return
 - 2** Personal holding co. (attach Sch. PH)
 - 3** Personal service corp. (see instructions)
 - 4** Schedule M-3 attached

**TYPE
OR
PRINT**

Name
Number, street, and room or suite no. If a P.O. box, see instructions.
City or town, state or province, country, and ZIP or foreign postal code

B Employer identification number
C Date incorporated
D Total assets (see instructions)
\$

E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

1a Gross receipts or sales	1a		
b Returns and allowances	1b		



Preliminary Results

Form 1120X filing (For SOI Year 2013)

	Master File Population Data	Weighted SOI Sample (estimates)
Total number of Form 1120X filed (in thousands)	9.4	8.2
Percentage of Form 1120 amended by filing Form 1120X	0.52%	0.46%
Tax Adjustment (in millions)*	-\$78.9	-\$87.7

- **Total Amount of Taxes Collected, Form 1120, SOI Year 2013:**
\$282 billion

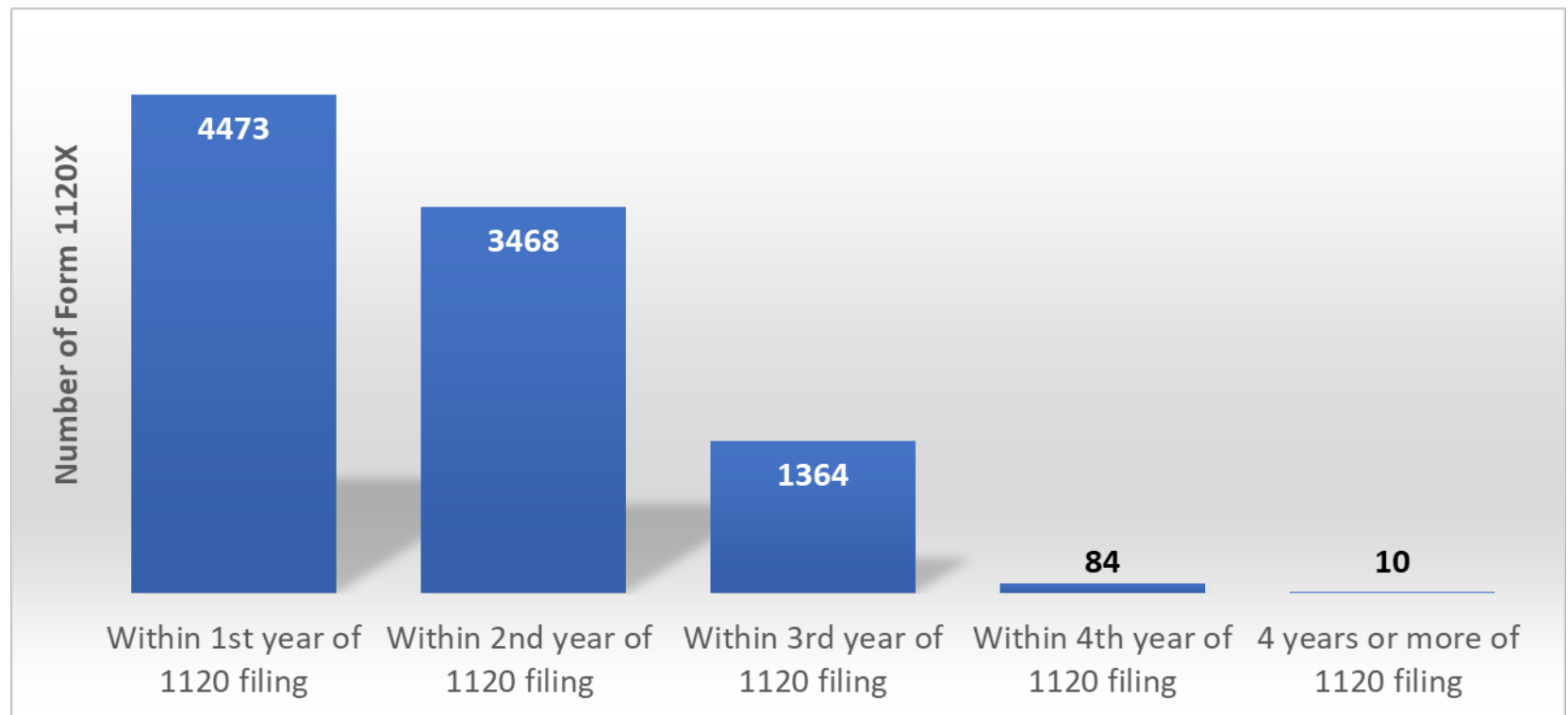
*These numbers are **preliminary** and the data needs more work on isolation of amendment amounts and of superseded returns and protective claims



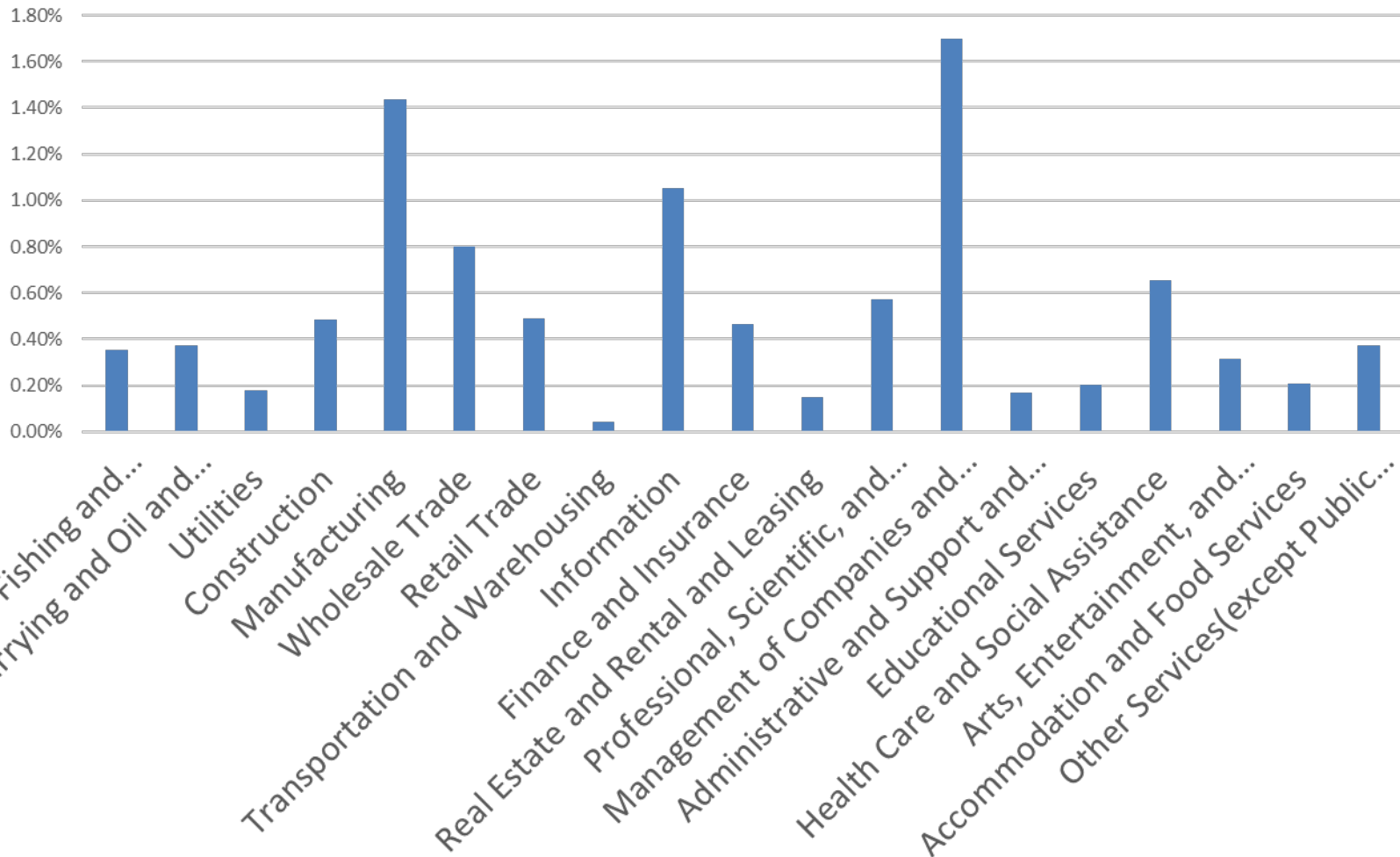
- When we compare the population data and weighted estimates from SOI sample, we have **two** conclusions:
 - The two percentages are close and very small
 - The tax adjustments are similar and very trivial compared to total tax collected amount



1120X Filing Dates Relative to the Original 1120 Filing



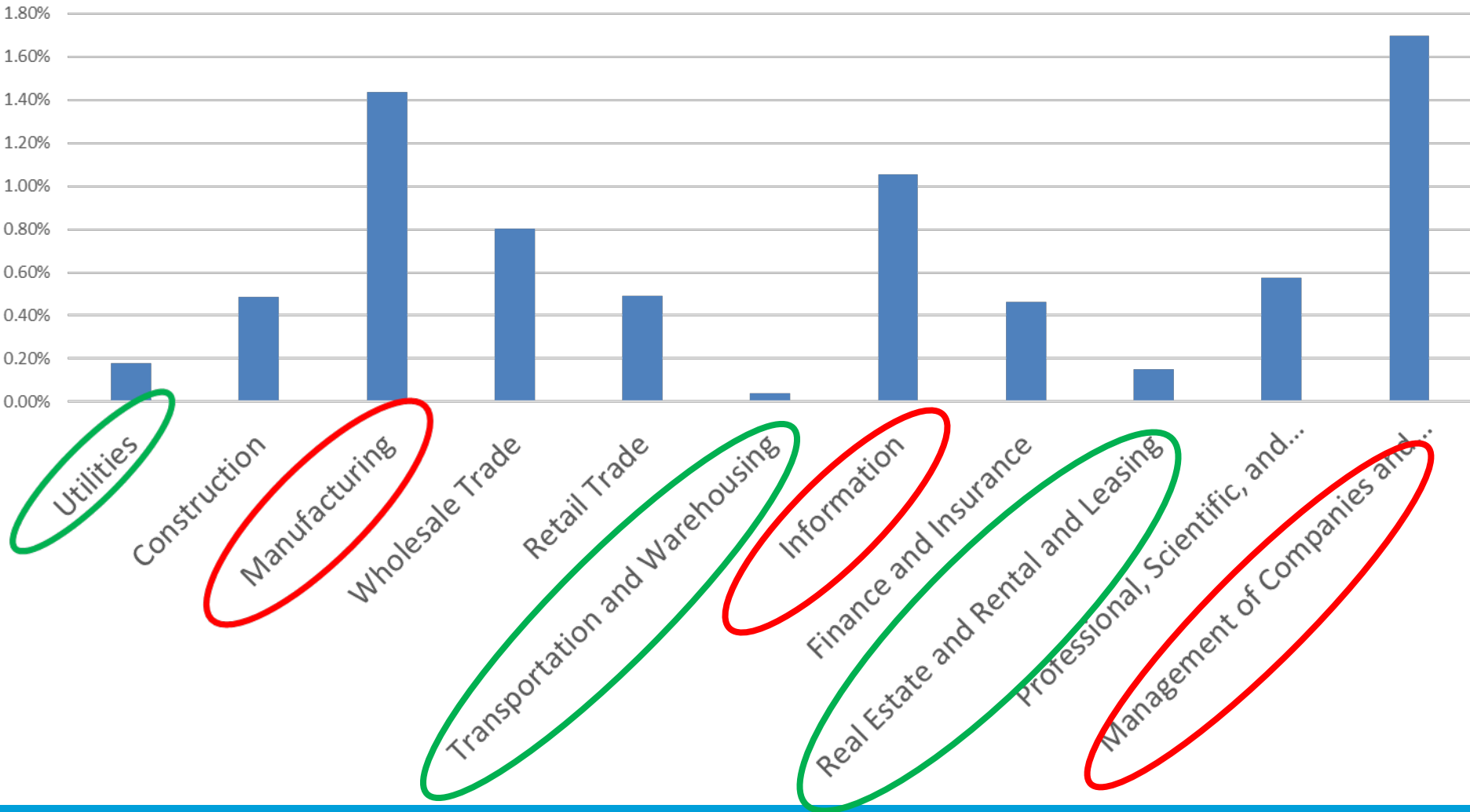
Percentages of Returns Associated with Form 1120X (by Industry)





Industry Distribution of Corporations Amended for SOI year 2013

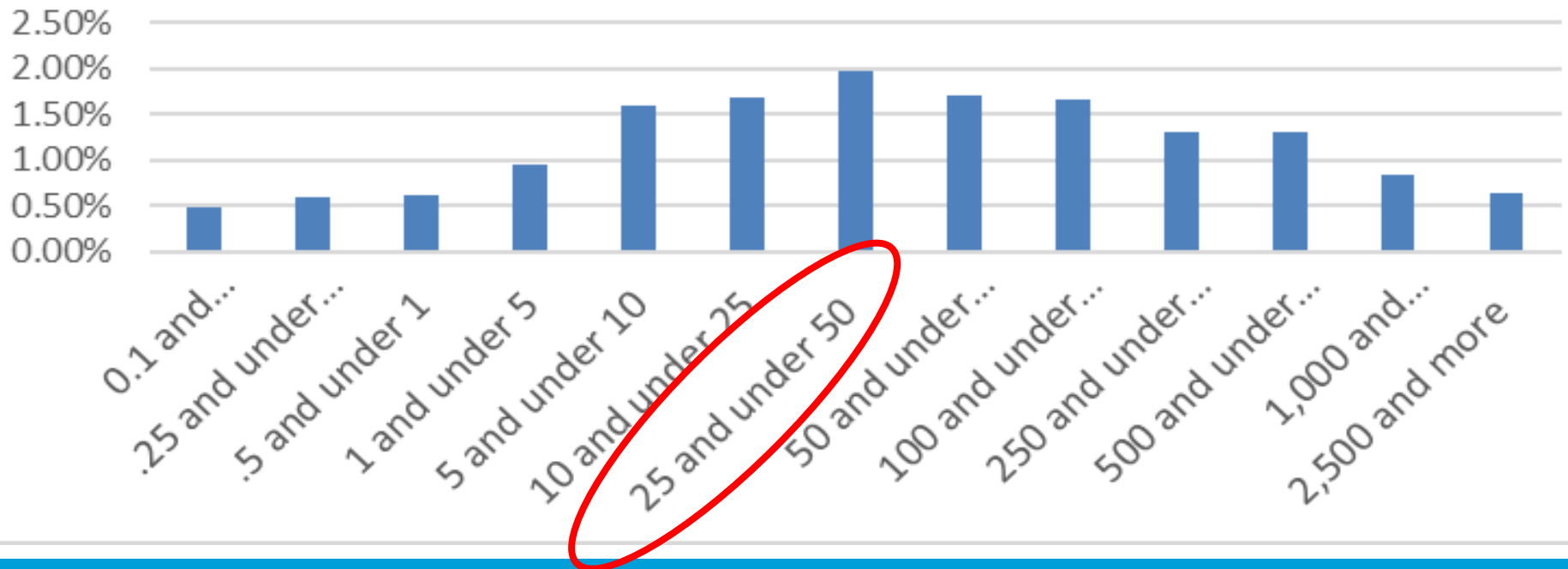
Percentages of Returns Associated with Form 1120X (by Industry)





Asset Distribution of Corporations Amended for SOI year 2013

Percentages of Returns Associated with 1120X (by Assets, in millions dollars)



Scope: Form 1120 Series

- We excluded Form 1120S and 1120F to align with the amendment part of this project

Goal: Identify the effect of audits on 1120 SOI Sample Statistics

- We are limited to tax changes
- No line item change

IRS Databook 2014

- Returns examined **in** fiscal Year 2014

Our focus is returns that are filed **for** SOI year 2013 and examined in IRS offices.

- We do not consider the timing of an examination



Examination in Master File Level Population Data

Returns filed For SOI year 2013 and examined in IRS Offices

Recommended Tax Change	Number of Returns (in thousands)	Dollar Amount of Tax Change (in billions)
Tax Increase	8.2	\$5.4
Tax Decrease	1.2	-\$2.1
No Change	8.1	-
TOTAL	17.5	\$3.3



Examination in SOI sample

- For SOI year 2013, there were an **estimated** 1.6 million Form 1120 returns in the SOI corporation sampling frame
- The weighted SOI sample contains 12.9 thousand examined Form 1120 returns
- **0.79%** of the SOI sample is examined



Examination estimates from SOI Sample

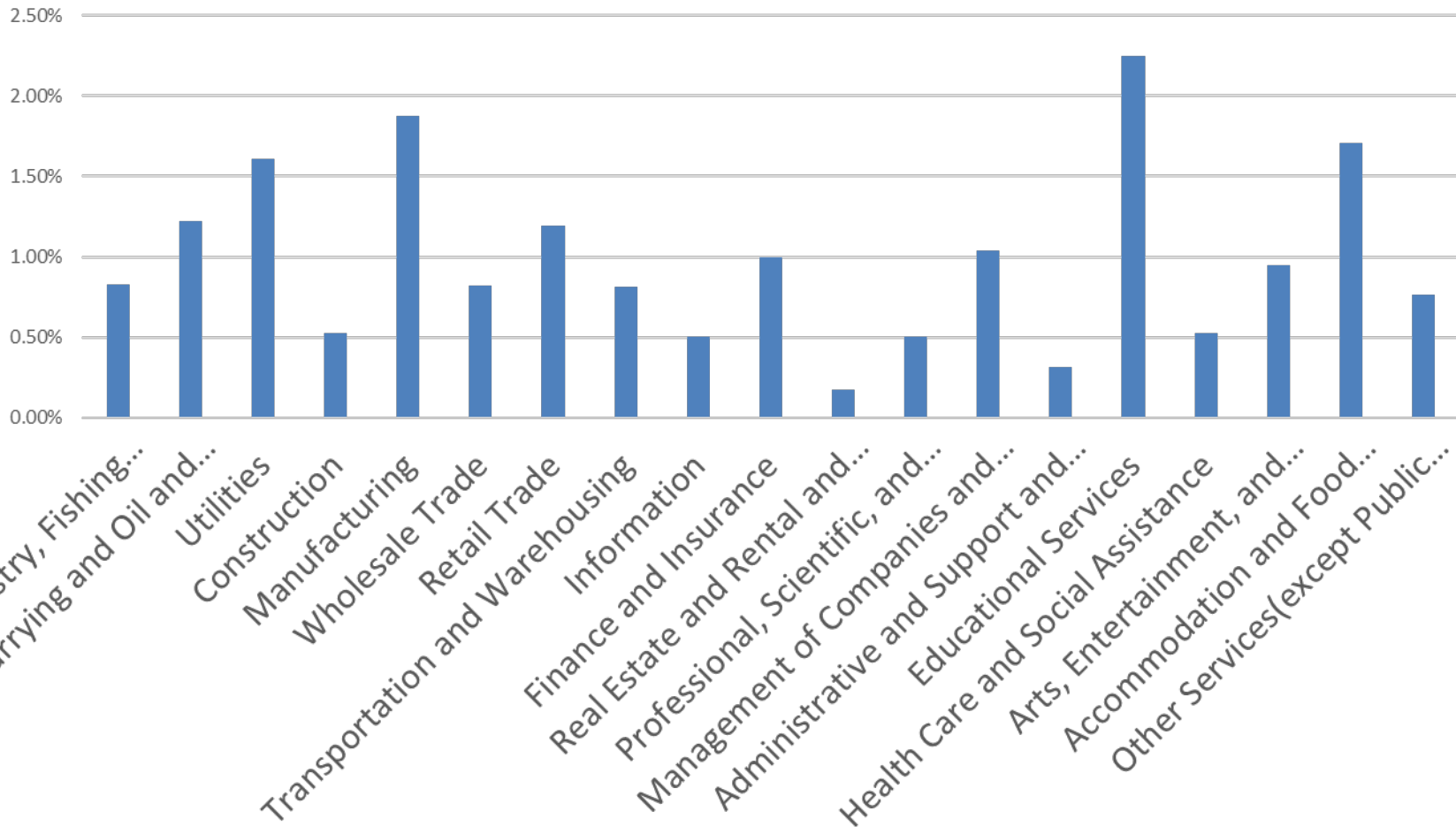
- Those examinations resulted in (estimated):

Returns in SOI Sample and examined in IRS Offices		
Recommended Tax Change	Number of Returns (in thousands)	Dollar Amount of Tax Change (in billions)
Tax Increase	5.3	\$4.9
Tax Decrease	1.3	-\$2.0
No Change	6.3	-
TOTAL	12.9	\$2.9

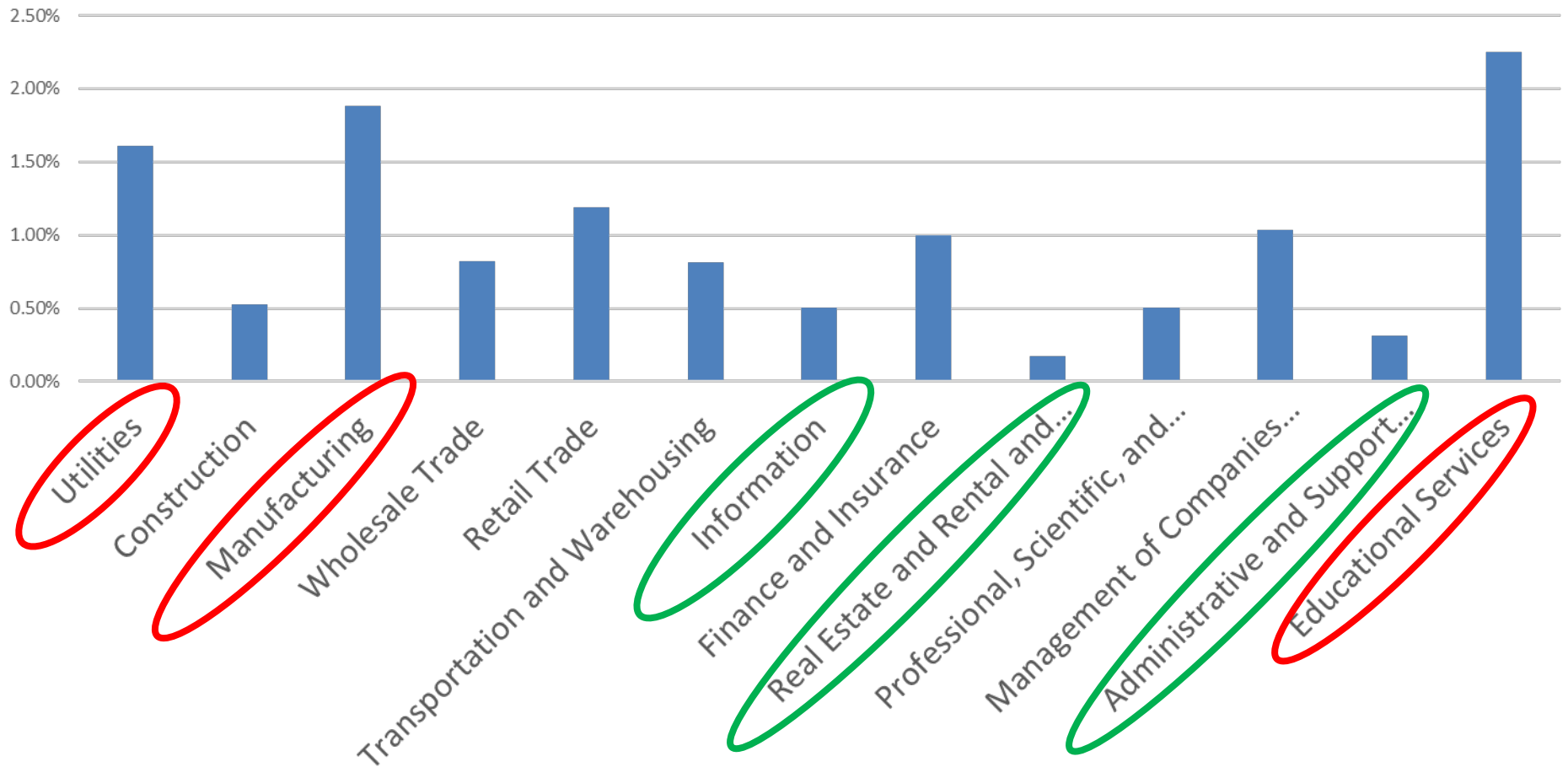


Industry Distribution of Corporations Examined for SOI year 2013

Percentages of Returns Examined in SOI Sample (by Industry)



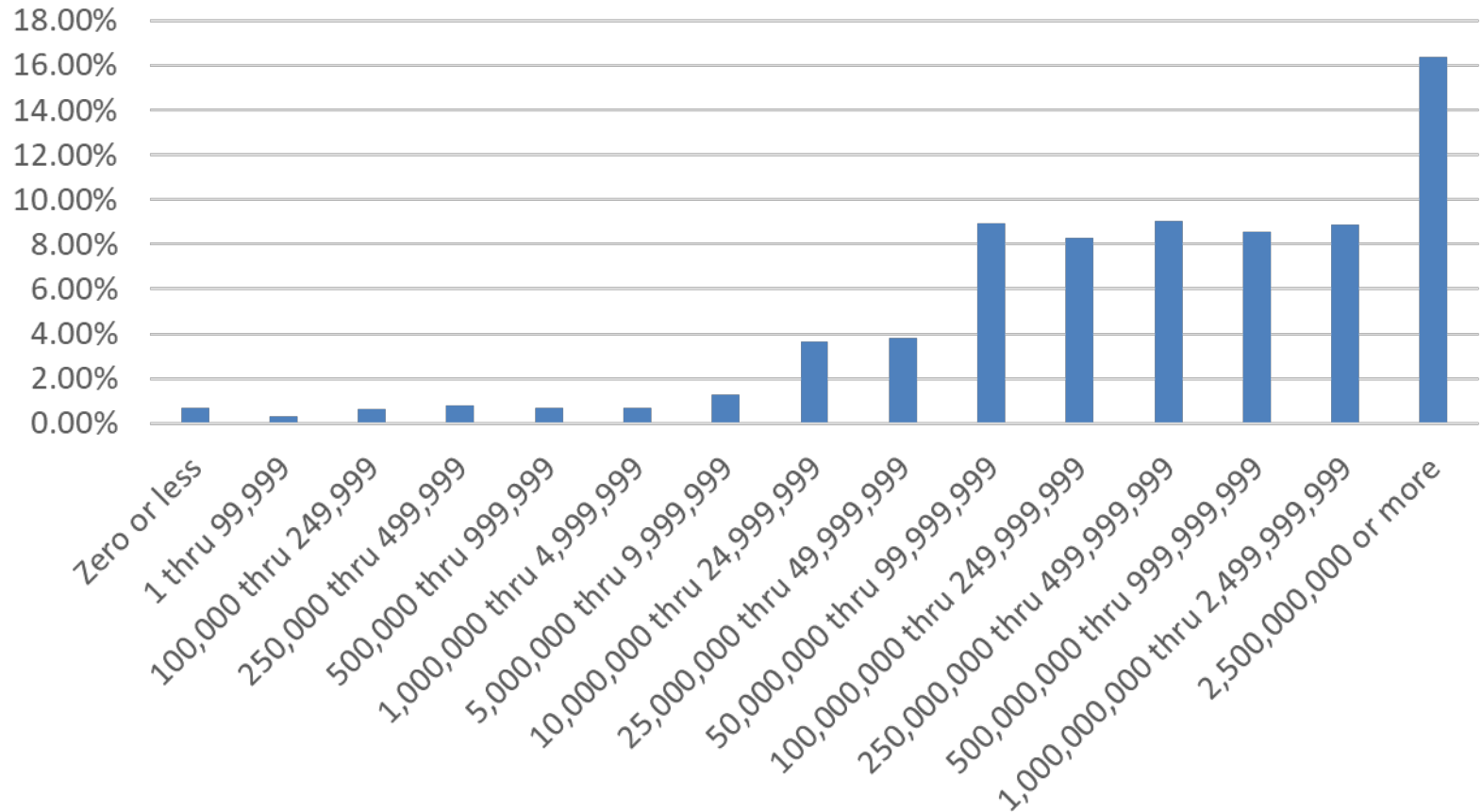
Percentages of Returns Examined in SOI Sample (by Industry)





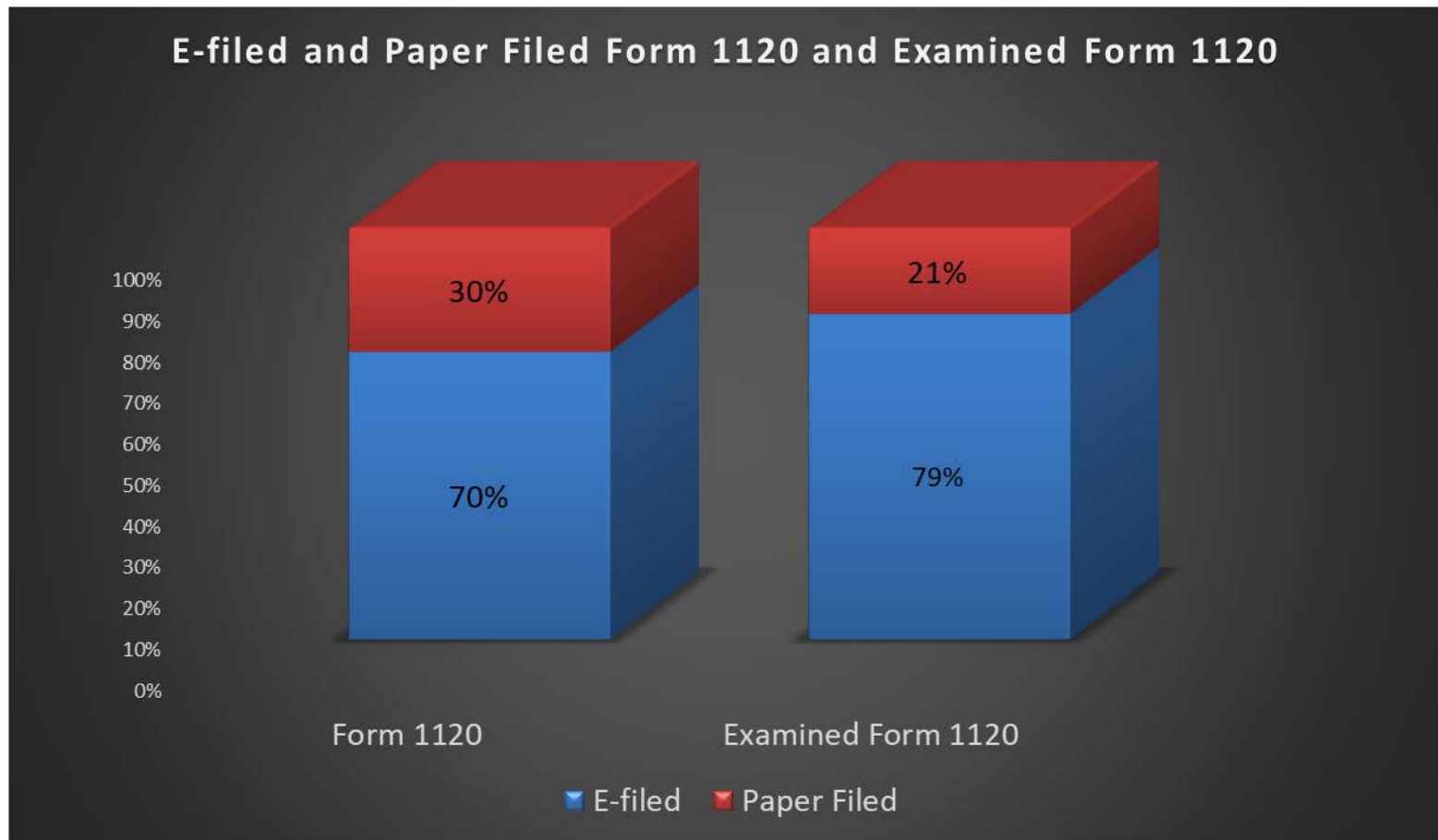
Asset Distribution of Examined Form 1120 in SOI Sample

Percentages of Examined Form 1120 in SOI Sample (by Assets)





Filing Method of Examined Form 1120



Studying Form 1120Xs is a limited way of researching amended corporation returns.

- Our Form 1120X filing study shows that an insignificant percentage of Form 1120 filing in SOI Sample would be affected **(0.46%)**
- The money amount effect of that would be small, estimated at **\$87.7 million** net reduction in taxes.
- Some ambiguity still exists, especially with respect to the tax amount change and superseded returns.

Amended corporation returns are complex due to:

- Filing procedures vary based on type of Form 1120, type of claim or correction, time of filing claim, etc.
- There are multiple ways of processing different forms
- The data spread among several databases
- SOI year differs from fiscal year
- Data is subject to human error

Examination results are preliminary and more research can be done

- A small percentage of returns in SOI sample was audited (approximately **0.79%**)
- Those returns cause considerably minor tax amount change in SOI sample (approximately, **\$2.9 billion** net tax increase)
- We do not know whether the recommended tax change is implemented or not

Overall Conclusions



Overall Conclusions

- Challenges to this study
 - Aggregation on Forms 1040X and 1120X
 - Limited data availability
- Answer to our Research Question: Amended and audited returns constitute a small percentage of the population and result in a relatively small change to taxes.
- Profile of Amended Return Filers and Audited Returns

Questions and Comments



Research Group Members

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